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CITY COUNCIL

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***CORRECTED COPY* **

TO: Ron Kagan, Director
Detroit Zoological Society

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 2, 2008

RE: 2008-2009 Budget Analysis

14.

Attached is our budget analysis regarding your department's budget for the upcoming 2008-2009 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Norman White, Chief Financial Officer
Pamela Scales, Budget Department Director
Renee Short, Budget Department Team Leader
Kerwin Wimberly, Mayor's Office

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Zoological Institute (44)

FY 2008-2009 Budget Analysis by the Fiscal Division

Summary

On March 1, 2006, the City entered into an agreement with the Detroit Zoological Society (DZS) to manage the operations of the Detroit Zoological Institute (DZI), which include the Detroit Zoo and the Belle Isle Nature Zoo, through June 30, 2020, a period of fifteen years, with an option to renew for successive ten-year terms. The agreement provides for the City to pay \$5.0 million of capital funds within 15 days of the State of Michigan's appropriation of \$4.0 million, and an additional \$5.0 million in fiscal year 2006-2007. The City also has agreed to pay an operating subsidy for insurance and security costs, totaling \$900,000 per year, for the first two years of the agreement. This subsidy is reflected in Agency 35 – Non-Departmental.

According to DZS's FY07 (April 1, 2006 through March 31, 2007) annual report, it received a total of \$5.9 million in funding from the City of Detroit in accordance with the Memorandum of Agreement between the City and the DZS. According to the 2008-2009 BRASS report, the DZI requested \$2.75 million for facility improvements. The Mayor's 2008-2009 budget does not provide funding for any such improvements.

Significant Changes in Funding by Appropriation

The City's funding is included in Non-Departmental, as follows:

<u>Appro.</u>	<u>Program</u>	
12161	350095 Zoo Operations	The Mayor's 2008-2009 Proposed Budget includes a \$900,000 general operating subsidy for insurance and security.
12152	351385 Zoo Capital – Facility Improvements	The Mayor's 2008-2009 Proposed Budget does not provide any funding for facility improvements at the Zoo.

Significant Revenue Changes

All revenues for the Zoo have been transferred to the Zoological Society along with the appropriations.

Issues and Questions

1. The Mayor's 2008-2009 budget does not provide funding for any capital improvements. How will the Zoo's operations be impacted if it does not receive any funding for capital improvement as it requested?
2. What was the specific purpose of the improvements and/or building acquisitions?
3. Has the Society maintained that all contracted work shall have at least 30% Minority Business Enterprise, Women Business Enterprise, and Detroit Business Enterprise?
4. Please provide a copy of the Zoo's 2007-08 and 2008-09 operating budgets.
5. Please provide any projections a 0.1 mill property tax from any county within the tri-county area, as well as from the entire tri-county area, if the "Zoological Authorities Act" is established at the State level.
6. Since the Zoo's separation from the City, total expenditures against the operating and capital appropriations set up in Non-Departmental is not clear. Please work with Budget/Finance to provide the level of expenditures from these appropriations since the separation.

/ss